

Rural Empowerment Zones and Enterprise Communities: A Status Report

Rural EZ/EC Task Force
Office of Community Development
Rural Development
U.S. Department of Agriculture

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Dear Friend:

There are thousand of impoverished rural communities across America. In response to the persistent poverty and stagnant local economies, President Clinton set forth the Empowerment Zones/Enterprise Community (EZ/EC) program in 1993. Presently, USDA's Rural Development is working closely with 3 Empowerment Zones and the 30 Enterprise Communities.

The Clinton Administration created this program as a way to stimulate community and economic development in the most cost-effective and efficient manner. Currently, rural America receives one-third of the designations set forth by Congress for this initiative through the U.S. Department of Agriculture (in contrast to the U.S. Department of Housing and Urban Development which receives the balance).

After three years of long and hard-fought progress, I am pleased to present for your review, Rural Development's first annual EZ/EC status report. This report represents information received from every EZ/EC across the country. Communities that were not selected as EZ/ECs, were designated as "Champion Communities"; and through their own efforts, have put into action individual Empowerment plans through private sector means which have to date been very successful.

Because of the tremendous ongoing success of this program, and the mounting requests from new regions and communities to be considered for selection as a designated Empowerment Zone, I am pleased to announce that President Clinton is asking Congress for a second round of EZ/EC funding. The first round no matter how successful, has only begun to scratch the surface of this difficult and challenging issue -- more assistance is needed. In fact USDA has requests from more than 100 communities expressing interest in participating in this next round. These responses reflect the commitment from the local communities to make Empowerment Zones a successful endeavor across rural America.

I hope that you will take the time to review the information. USDA and Rural Development look forward to working with you in the months ahead as we strive to continue and to strengthen this vital program. I want to ensure sure that your office has every opportunity and resource available to understand what EZ/EC is doing to improve the quality of life for rural Americans.

Sincerely,

JILL LONG THOMPSON
Under Secretary
Rural Development

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Executive Summary

Background

In the 1993 budget, Congress passed the Federal Empowerment Zone and Enterprise Community Program as part of the Omnibus Budget and Reconciliation Act of 1993. President Clinton signed the act into law on August 10, 1993, authorizing \$2.5 billion in tax incentives and \$1 billion in Title XX Social Service Block Grants to revitalize distressed urban and rural communities.

More than 500 communities entered the competitive process and submitted their own strategic plans for community revitalization by the June 30, 1994, deadline. The United States Department of Agriculture (USDA) received applications from 227 rural communities for designation as Empowerment Zones or Enterprise Communities. In December 1994, the Federal Government selected 104 urban and rural communities for the program. HUD named 6 urban EZs and 65 urban ECs. USDA named 3 EZs and 30 ECs.

Each rural Empowerment Zone--Kentucky Highlands; Mid-Delta, Mississippi; and Rio Grande, Texas--received \$40 million through Title XX. Each Enterprise Community received \$2.95 million.

Mission Purpose

The EZ/EC program represents the most extensive national program for addressing problems of severe poverty and distress in rural areas. The program adopts a comprehensive approach to linking the goals of economic opportunity and sustainable community development.

The EZ/EC program is designed to fit public resources to the needs identified by the community, rather than making the community's needs fit the mandates of a particular program. Community participation is viewed as critical for program planning, implementation, and its ultimate success.

Rural America faces many challenges. Some arise from the globalization of economic competition, others from the loss of rural jobs in part due to rising productivity and changing demand in agriculture and other natural resource industries. Some rural areas are being challenged by rapid population growth, while others face the out-migration of their youth. Still others struggle to overcome historical concentrations of poverty.

Both global changes in the marketplace and historical neglect have left America with significant pockets of poverty. Impoverished communities are a national challenge that merit special attention, because the problems of poverty are unlikely to be solved through market action alone.

The program is important because of how it is reinventing government. It represents new, long-term, inter-governmental partnerships among Federal agencies, between Federal agencies and the State, and between Federal and local entities, many of which are newly created, non-governmental partners.

EZ/EC's innovative approach incorporates the values and principles of more community involvement and decision making with less Federal control.

USDA continues to work with those communities that submitted strategic plans but were not designated as EZ or EC. USDA refers to these as Champion Communities. They receive technical assistance and special consideration for some Federal programs.

Overall, the program represents an innovative and significant effort to match Federal and State policy to the vision and leadership of distressed communities. As such, it offers an unparalleled opportunity from which broad strategy and policy lessons about community development and empowerment can be learned. The program offers a laboratory from which other policy-makers and practitioners can learn as well.

Success Story

Since the program began, it has racked up extraordinary accomplishments. One of the best indicators for these accomplishments has been in the form of success stories from many of the EZ/EC's and Champion Communities which documented the various benchmark achievements. One example is of the combined efforts of a local businessman, the City of East Prairie, Missouri, the East Prairie Development Corporation, Rural Development, and the State of Missouri Department of Economic Development. The unemployment rate of Mississippi County and East Prairie, Missouri, decreased to 6.7 percent, down from 10.3 percent in August 1995. The dramatic decrease is due to the growth of Jakel Incorporated, an Illinois-based manufacturer of small motors. It began operation in East Prairie in August 1995, and now employs 161 people. This partnership would not have been possible had it not been for the EZ/ EC funding East Prairie received to renovate the building and repair the surrounding infrastructure which would allow the trucks needed to transport the necessary materials to the plant.

Conclusions

National investments to ensure rising prosperity for rural America are an essential element of national policy. While Federal investments in rural America are needed, ultimately the rural communities have the responsibility for shaping their own destinies. Wise Federal investment does not attempt to subsidize rural communities, but rather points them to the future and towards creating new economic opportunities and empowering people.

The benefits of the rural Empowerment Zones and Enterprise Communities Initiative will be felt far beyond the 33 EZ/ECs or the more than 180 Champion Communities. The Initiative is a beacon of light for a new way of doing the Government's business. The examples of progress developed under the Initiative and the changed methods employed by the Federal Government in working with rural communities will affect rural development policy and Federal-local relations on a national scale. The result will be a system of government that puts real power into the hands of rural citizens in a way that equips them to make effective and intelligent use of that power.

Responding to the success of the EZ/EC Initiative, President Clinton announced his intention to seek Congressional support for a second round of Empowerment Zones and Enterprise Communities. If adopted, Round 2 would add 5 EZs and 30 ECs in rural areas. In designating these EZ/EC's, the initiative will also consider Indian nations and other Regional areas where distress is measured other than by poverty.

Introduction

The climate in rural America is changing as quickly as a thunderstorm swoops across the plains. Shifts have occurred in the rural economy, population and community needs, and citizen expectations. Together with limitations on budgetary resources, these changes now require a new approach to government involvement in rural America.

Rural America faces many challenges. Some arise from the globalization of economic competition. Others from the decades-old loss of rural jobs in part due to rising productivity and changing demand in agriculture and other natural resource industries. Some areas experience the challenge of coping with rapid population growth, while others face the outmigration of their youth. Still others struggle to overcome historical concentrations of poverty.

Historically, government's response to these problems would be to channel new investments into each problem in an effort to purchase solutions. But in today's economic and political climate, this approach is no longer feasible, even if it were desirable.

Rural America's land, labor, and capital are assets critical to maintaining this Nation's leadership in the global economy. But, just as businesses can continue to grow and prosper only by continuously investing in themselves, so too can rural America prosper through investment and careful nurturing.

While the public still looks to government to provide high-quality services and leadership in addressing tough social and economic problems, the public's expectations have shifted in important ways. These changing expectations are shaping how government will respond in the future.

First, the public wants to be assured that government programs yield value for dollars

spent. Government's response is to improve the efficiency of its operations by creating high-performance programs, establishing benchmarks and performance standards that drive implementation, and increasing the value of its investments by partnering with other governmental and private organizations committed to the same goals.

Second, citizens want to be in charge of their own futures, determine their own priorities, and create their own successes. Instead of looking to government to do things for them, people want government to be a partner with them. This Administration's response is to enable communities to achieve their own visions and implement their own strategic plans by reshaping programs so they fit community needs and by providing technical assistance in creating and carrying out local plans.

While poverty is only one of rural America's challenges, it is an exceedingly important one. Many parts of rural America have suffered extreme poverty for decades. This poverty is often accompanied by high rates of outmigration, lack of affordable housing, and inadequate infrastructure to support clean water and waste water treatment. The problem is concentrated in specific regions of the country such as the Colonias in the Southwest, the Mississippi Delta, and Appalachia.

The need to address these difficult problems requires a commitment to find new and innovative ways to conduct business. One result of this search is the Rural Empowerment Zones and Enterprise Communities Initiative (EZ/EC), under the leadership of USDA's Rural Development mission area. The EZ/EC Initiative applies proven methods of establishing locally-sustainable, community-driven solutions to conditions of poverty.

A Profile of Rural America

The well-being of America's rural people and communities is critical to our Nation's continued prosperity.

- Rural America contains 83 percent of the Nation's land and is home to 21 percent of its people.
- Rural counties supplied 18 percent of the Nation's jobs and generated 14 percent of its earnings in 1992.

Rural well-being depends on many factors, including the ability to sustain vibrant communities; the availability of well-paying jobs; access to credit and essential services; a strong agricultural and manufacturing base; and healthy natural resources. But, many changes in the rural economy and society are challenging rural America's ability to meet these needs.

- Many rural communities have experienced an outmigration of people to urban areas for jobs and education. For the first 140 years of our Nation's history, most people lived in open country and small towns. By 1990, less than a quarter of America's population lived in rural areas.
- While the population of most rural areas is now growing, the populations of others, especially those in the agricultural heartland, continue to decline.
- Real earnings per job remain lower in rural areas than in urban areas, declining by 6.5 percent from 1979 to 1989.
- During the last 20 years, the share of the rural workforce employed in farming has decreased from 14 percent to 8 percent.
- Today, farm income alone is not as likely to fully support a farming family. More than 40 percent of farmers work off the

farm more than 100 days during each year.

- The largest and fastest growing share of rural jobs comes from the services sector, which employs about half of all rural workers. Manufacturing provides jobs for just 17 percent of the rural workforce (but a quarter of all earnings).

Both global changes in the marketplace and historical neglect have left America with significant pockets of poverty.

Impoverished communities are a national challenge that merits special attention, for the problems of poverty are unlikely to be solved through market action alone.

- Because of a prevalence of low-skill, low-wage jobs, rural America is home to a large number of the working poor.
- Although 25 percent of the Nation's poor live in rural areas, about 30 percent of the poor who are full-time, full-year workers live in rural America.
- Rural America contains 535 counties with persistently high poverty rates. In each census since 1960, 20 percent or more of the population in these counties was below the poverty level.

Changes in the global economic marketplace have put enormous pressure for change on the rural economy. For rural communities to survive, they must adapt to these global changes and develop the ability to compete in a very different world.

Federal policy toward rural communities must assist them in making the transition to new ways of doing business. Because of the diversity of needs among areas, rural policy must be more flexible. It must respect the rights of citizens to decide what direction they want to go in the future and assure that the needs of communities have priority

consideration and are free of restrictive program requirements and red tape. The policy should support comprehensive approaches to rural development that support community-wide development. It should facilitate partnerships among a wide range of supporting institutions, both public and private. And it must be consistent over time with long-term strategic priorities set by communities.

The Empowerment Program

The economic and cultural contributions of rural America strengthen the Nation as a whole. If this country is to respond to the challenges facing rural America, it must invest in the people of rural America in a manner which solicits community participation, local control, and a government that serves the people based on their strategic visions for the future. The EZ/EC Initiative gives back to communities with high rates of poverty the responsibility for making government more effective and responsive to individual community needs.

The EZ/EC Program

In 1993, Congress passed the Federal Empowerment Zone and Enterprise Community Program as part of the Omnibus Budget and Reconciliation Act of 1993. President Clinton signed the bill into law on August 10, 1993, authorizing \$2.5 billion in tax incentives and \$1 billion in Title XX Social Services Block Grants to revitalize distressed urban and rural communities.

An interagency Community Empowerment Board, led by Vice President Gore, was established to oversee the program.

The U.S. Department of Agriculture administers the rural part of the program, while the U.S. Department of Housing and Urban Development administers the urban part. The rural program is significant for the following reasons:

- It represents the most extensive program addressing problems of severe poverty and distress in rural areas.
- The program adopts a comprehensive approach to community development, linking the goals of economic opportunity and sustainable community development into a broad vision of how community distress might be overcome.

- The program builds upon the community's own ideas for change, based upon a strategic planning process that allows the local participants to set their own path to success.
- Development is expected to occur through the creation of partnerships, collaboration and bringing together all sectors of a community. Emphasis has been placed on the importance of broad-based participation in a new and significant way.
- The program is important because its intent is to reinvent government. It represents new, long-term inter-governmental partnerships among Federal agencies, between Federal agencies and the State, and between Federal and local entities. Newly-created, non-governmental partners are also involved.
- The EZ/EC Initiative builds locally-sustainable community development that does not depend on continued Federal assistance to succeed.

Unlike many Federal programs, the EZ/EC program is designed to fit public resources to the needs identified by the community, rather than making the community's needs fit the mandates of a particular program. Community participation is viewed as critical for program planning, implementation, and

ultimate success.

More than 500 communities submitted plans for their community revitalization by the June 30, 1994, deadline. USDA received applications from 227 rural communities for designation as Empowerment Zones or Enterprise Communities.

“This is not an economic development proposal; it is a people development proposal.”

*La Jicarita Enterprise Community
New Mexico*

The Guiding Principles

Four key principles guide the EZ/EC strategic planning process.

Economic Opportunity

This includes job creation, job training, entrepreneurial opportunities, and small business expansion. Economic opportunity leads to economic self-sufficiency and helps residents achieve a real economic stake in the community.

Sustainable Community Development

Sustainable development connects physical, environmental, and human development with economic development in a manner that is consistent with broader regional development strategies and long-term goals. It includes global and comprehensive approaches to housing, human services, recreation, youth development, environmental protection, and public safety. It is intended to enable communities to develop the capacity to

sustain development without continued outside assistance.

Community-Based Partnerships

The EZ/EC Initiative is built on broad-based participation by all segments of the community, involvement of private and non-profit organizations, and the support of state and local government.

Strategic Vision for Change

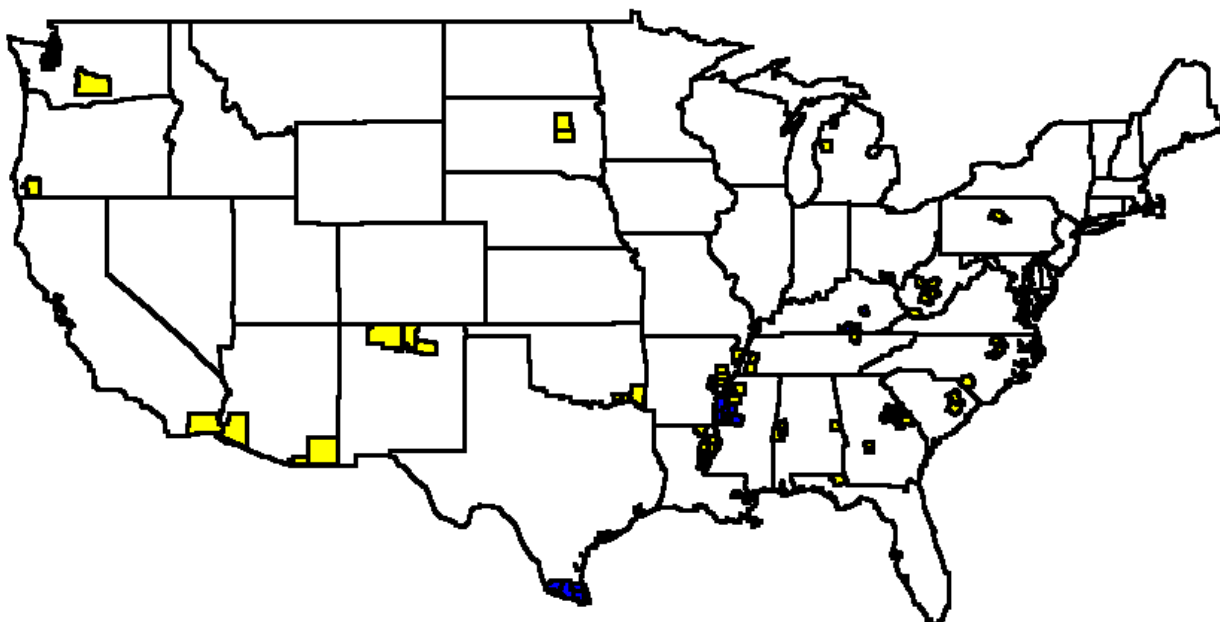
Community residents determine what they want their community to become and create a strategic plan as a roadmap for change. ***Their vision is based on creative and innovative planning and is set forth in a strategic plan that includes benchmarks for measuring progress.***

Features of the Program

In December 1994 the Federal Government selected 104 urban and rural communities for the program. HUD named 6 urban EZs and 65 urban ECs. USDA named 3 EZs and 30 ECs.

Each rural Empowerment Zone--Kentucky Highlands, Mid-Delta, Mississippi and Rio Grande, Texas--received \$40 million through Title XX. Each Enterprise Community received \$2.95 million.

Designated Rural Empowerment Zones and Enterprise Communities



- **Empowerment Zones**
- **Enterprise Communities**

The Empowerment Zones are eligible for:

- Tax incentives that include a 20 percent employer wage credit for the first \$15,000 of wages paid to a Zone resident who works in the Zone.
- Increased allowances from \$10,000 to \$20,000 for expensing of depreciable property in the first year of business, and expanded use of tax-exempt State and local bonds when used for certain Zone properties.
- The Enterprise Communities are eligible for the tax-exempt state and local bond financing provisions.

USDA has continued to work with communities that submitted strategic plans but did not receive EZ or EC designation. These

Champion Communities receive technical assistance and special consideration for some Federal programs.

Since the designations, new arrangements had to be made for working through the states to get funds to newly designated Zones that did not necessarily overlap with traditional political boundaries or entities.

Communities were asked to develop Memoranda of Agreement (MOA's) with USDA, specifying in detail how the funds were to be spent. They also developed sophisticated benchmarks to measure and monitor results.

Overall, the program represents an innovative and significant effort to match Federal and State policy to the vision and leadership of distressed communities. As such, it offers an

WHAT WE CAN'T
DO ALONE
WE CAN DO
TOGETHER



Milestones in the Empowerment Initiative

Aug. 10, 1993	Omnibus Budget and Reconciliation Act of 1993 signed
Jan. 17, 1994	Initiative announced
Jan.-Mar. 1994	Regional workshops to help communities understand the empowerment initiative
Mar.-June 1994	Communities develop strategic plans
June 30, 1994	Application deadline
Dec. 21, 1994	Selections announced
Jan.-Aug. 1995	Communities develop benchmarks and begin implementation

unparalleled opportunity from which broad strategy and policy lessons about community development and empowerment can be learned. Not only does the program need to be evaluated in its own right, but it also offers a laboratory from which other policy-makers and practitioners can learn.

Characteristics of the 1993 Legislation USDA & HUD

The most significant aspects of the 1993 EZ/EC legislation are two-tiered programming, population and poverty requirements, community participation, strategic planning, coordination of Federal agencies, the block grant program, tax and financial benefits, and evaluation requirements.

Two Tiers

Unlike all previous proposed enterprise zone legislation, the 1993 Act is a two-tiered program. The nine Empowerment Zones receive the bulk of the benefits, including \$2.3 billion in tax incentives and \$720 million in block grants.

The 95 Enterprise Communities share \$280 million in Social Services Block Grants (SSBG). Like the EZs, the ECs are included in the change in Federal rules to allow tax-exempt bond financing to be used for non-manufacturing as well as manufacturing businesses.

Population and Poverty

The program established eligibility criteria with respect to population and poverty for both the urban and rural areas. Rural areas, for example, can have a maximum population of 30,000 and cannot exceed 1,000 square miles in size. To qualify, a rural area must lie outside of a metropolitan area, or have at least 50 percent of its population residing outside the metropolitan area.

“The EC designation was the result of many long hours of hard work by local residents and officials who wanted to make a difference in their communities.”

*Southeast Oklahoma
Enterprise Community*

Rural areas must have pervasive poverty, unemployment and distress with a poverty rate of:

- At least 20 percent in each census tract,
- 20 percent in at least 90 percent of the census tracts, and
- 35 percent in at least one census tract.
- The guidelines allowed certain adjustments to be made to the poverty rate thresholds.

Community Participation

The 1993 EZ/EC legislation is the first to require ongoing community participation in developing and implementing strategic plans. The community participation component is similar to the “community action” initiatives of the War on Poverty and the Model Cities Program.

Strategic Planning

The 1993 legislation required, as a part of the community’s application for designation, that it complete a strategic plan. Plans were required to be comprehensive, treating

economic, human, community, and physical development in a coordinated way. Plans also had to spell out the benchmarks by which community progress would be judged. The planning process itself had to be open to broad participation by community members, especially low-income persons.

We want “. . . to have trust, faith and love without economic, social and political contradictions while maintaining and enhancing the positive aspects of life in the Sangre de Cristo Mountains.”

*La Jicarita Enterprise Community
New Mexico*

Coordination of Federal Agencies

The Community Enterprise Board, headed by Vice President Gore, includes 18 agency representatives and advises the President on coordinating Federal policies in distressed areas. It is a part of an innovative effort to “reinvent Government” and enhance the work of the National Performance Review (NPR). The NPR’s goal is to make the Federal government more efficient and responsive to community needs.

Social Services Block Grants (SSBG)

The statute creating the EZ/EC Initiative created a special category of SSBG funds which could be used for a broad range of activities to achieve three broad goals included in the community's strategic plans:

- Self-support to prevent, reduce, or eliminate dependency;
- Self-sufficiency, including reduction or prevention of dependency;
- Preventing or remedying the neglect, abuse, or exploitation of children and adults or preserving, rehabilitating, or reuniting families.

Social Services Block Grants

One major incentive for community development is the availability of funding for housing, health, and education needs. No previous enterprise zone legislation proposed funding for social services. This legislation establishes Health and Human Services block grants worth \$1 billion for EZ/EC communities through Title XX. Communities are expected to apply for additional public and private support to leverage the funds.

Tax and Financial Benefits

The Empowerment Zones receive special tax benefits intended to stimulate business activity within the Zones:

Zones receive *tax incentives* over 10 years. For the first 5 years, incentives are estimated to amount to \$2.5 billion. The incentives include Wage Tax Credits, Accelerated Depreciation, and Tax-Exempt Facility Bonds. These incentives ease the tax burden for businesses that locate or expand within Zones and employ Zone residents.

In general, wage tax credits are available to any employer engaged in trade or business in the Empowerment Zone. For each resident employee or new hire, the business is eligible for up to \$3,000 each year in tax credits. The

amount of these credits is determined by multiplying the percentages of credit according to year by up to \$15,000 in qualified wages.

Tax-Exempt Bond Financing

Qualified businesses in all EZs and ECs except Los Angeles may qualify for a new category of private activity bonds that offers lower rates than conventional financing and permits financing of business property and land. It permits financing for new facilities or renovating or expanding existing facilities in EZs and ECs through tax-exempt bonds. In addition to offering lower interest rates than conventional financing, tax-exempt bond status provides access to non-traditional lenders, such as insurance companies, various funds, and individual investors.

Generally, the bonds may be used in a wide range of commercial settings. Commercial rental real estate is a permissible use of financing as long as 50% of the gross rental income from the property is from EZ/EC Businesses. The bonds may also be used to finance rental of personal property so long as substantially all of the rental income is generated from EZ/EC businesses or EZ/EC residents.

Increased Section 179 expensing is available only to qualified EZ business taxpayers. Qualified Empowerment Zone Business taxpayers may write off as an expense the cost of the depreciable, tangible personal property purchased, up to \$37,500 (generally limited to equipment purchases). The resulting deduction is \$20,000 more than the normal \$17,500 first-year write-off Section 179 permits to business.

Incentives for small business development include plans for a One-Stop Capital Shop to be located in 12 areas. This program will provide approximately \$3.2 billion in capital and technical assistance in areas where capital needs are not being met by existing financial institutions.

The Record of Progress

So far, the program has been in operation for a little over a year. Much of that time has been devoted to establishing benchmarks for community performance as the basis for assuring that communities would achieve the progress they outlined for themselves in their strategic plans. Empowerment Zones and Enterprise Communities have brought a high level of energy to their efforts at community and economic development, and considerable progress has been achieved.

Use of Funds

Funding for designated EZ/EC communities comes from several sources:

- Title XX Social Services Block Grants (SSBG), which are paid as an entitlement to designated communities.
- Congressionally earmarked funding under regular rural development programs.
- Special initiatives to designated and Champion Communities.

The level of fund use already shows a record of significant community progress in getting the implementation of their plans underway.

SSBG Grants

As soon as their benchmarks were completed and a Memorandum of Understanding (MOU) was signed with USDA, designated EZ/EC began to draw down funds from their SSBG grants to implement their strategic plans. Because the signing of MOU's was unique to each community, the starting dates for implementing plans varied among the communities.

Overall, however, the rate of drawdowns indicates significant progress in implementing plans. As of March 11, 1996, rural communities have drawn down \$23.1 million worth of their SSBG grants.

The SSBG funds can be used for a wide range of purposes. This enables communities to undertake truly comprehensive community development plans that incorporate community capacity building and human development, along with more traditional elements of infrastructure and economic development. In addition, the SSBG funds assure that communities remain in charge of implementation, rather than requiring them to modify their plans to fit the funds that happen to be available. Unlike the General Revenue Sharing program of a decade ago, the requirement that SSBG funds be used only in accord with community strategic plans prevents funds from being spent for objectives that do not have long-run strategic importance to the community.

Congressional Earmarks

To supplement the SSBG grants and provide a critical focus for existing rural development programs, the Congress earmarked funds under several USDA programs to be used for EZ and EC communities, provided they qualified for funding under regular program rules.

Earmarked funds not used by EZ/EC may be used to fund projects in other communities.

In FY 1995, Congress earmarked \$71.2 million for rural EZ/EC. The earmarks were made for 6 programs administered by USDA's Rural Development mission area.

- Business and Industry Loan Guarantees
- Community Facility Loans
- Intermediary Relending Program Loans
- Rural Business Enterprise Grants
- Water and Waste Disposal Grants
- Water and Waste Disposal Loans

Earmarked Funding: FY 1995

<i>Program</i>	<i>Earmark Level (millions)</i>	<i>Obligated Funds (millions)</i>
B&I	11	1.9
CF	6.1	3.8
IRP	10.2	10.2
RBEG	9.5	9.0
W&W Grants	19.0	16.8
W&W Loans	15.4	14.4
Total	71.2	56.1

EZ/EC communities received \$56.1 million in funding under these programs during FY 1995.

The level of earmarks for FY 1996 is \$66.6 million. The Administration has requested earmark funding levels of \$58 million for FY 1997.

Special Initiatives

Several Federal agencies have created special initiatives providing additional support to EZ/EC communities.

- The Department of Justice's Ounce of Prevention program will make grants of up to \$150,000 to EZ/EC communities to foster comprehensive approaches to reducing youth crime and violence. Grants will support cooperative efforts aimed at coordinating and integrating multiple prevention.
- USDA's Food and Consumer Service is conducting an 18-month assessment of strategies used by EZ/EC communities to improve access to nutritious and affordable foods. Many rural communities face such obstacles as high prices, limited food choices, poor-quality products, and long distances from stores or markets. Options include developing or enhancing markets such as supermarkets, small or medium-sized stores, farmers' markets, public markets, and food cooperatives, and improving transportation such as using vanpools.
- The Southern Region of USDA's Forest Service is providing special assistance to EZ/EC areas. In addition to more than \$1 million in Rural Community Assistance grants, the Forest Service is providing technical assistance, planning, and AmeriCorps members. This support has helped communities build capacity for self-help. This has been a catalyst for

economic development through better use of natural resources, formation of partnerships, and capacity-building assistance.

- The Federal Office of Rural Health Policy, HHS, has established Community Solutions for Rural Health to help Champion Communities establish community-based solutions to rural health care problems.
- The National Center for Rural Law Enforcement (NCRLE) at the University of Arkansas-Little Rock, with support from USDA, is conducting a national assessment of rural law enforcement needs, including those of EZ/EC's. With support from the Department of Justice, NCRLE will assess the potential of a multi-state application for case management and Internet access and develop the curriculum for the Rural Executive Management Institute.
- Three agencies of the Department of Justice are working together to support community self-assessment and provide training and technical assistance through the Youth Focused Community Policing Initiative in Empowerment Zones. Youth-focused policing helps integrate youth into the community and provides alternatives to delinquency and drug abuse.

Leveraged Funding

A principle of the EZ/EC Initiative is to stimulate partnerships in support of low-income communities. The Federal funding to EZ/EC communities is intended to leverage other funds, public and private, to support development in these communities. EZ/EC

community benchmarks list planned levels of co-funding by partnership organizations.

The EZ/EC communities have identified a remarkable range of funding partnerships in their benchmarks. For some benchmark activities, the EZ/EC designation itself leveraged 100 percent of an activity's cost so that no SSBG funds had to be used.

In addition to the many Federal agencies participating in the EZ/EC Initiative, other partners include: state and local governments--often the sole source of non-SSBG public funding; non-profit economic and community development organizations; large foundations such as the Ford and W.K. Kellogg Foundation; private companies and local businesses; colleges and universities; utilities; and banks and other financial institutions.

- One example of a community leveraging its SSBG monies to the fullest is the Mississippi County, Arkansas, Enterprise Community. Of the more than \$17 million in program dollars identified in their benchmarks, only \$1.36 million are SSBG funds; \$5.8 million is from the private sector, \$9.6 million from Federal or Federal/State programs, \$289,000 from the State, and \$445,000 from local governments.

In the Rio Grande Valley (Texas) Empowerment Zone, more than \$19.9 million has been allocated to projects. Of this total, \$8.2 million came from the Zone's SSBG funds, which leveraged an additional \$11.7 million from other sources. Not reflected in the total is the additional \$8 million in grant monies awarded to other entities in the region as a result of the designation.

Community Development Support

Rural Development has assigned staff to help rural communities develop and finance rural development activities. Throughout the implementation of the Empowerment Initiative, USDA staff have worked with low-income communities to help them understand the Initiative and how they could adopt an empowerment approach.

- During the application phase of the Initiative, USDA conducted a series of regional workshops for potential participants.
- Rural Development staff helped communities develop their strategic plans as the basis for their applications.
- Rural Development assigned an EZ/EC State Coordinator to provide continuing technical assistance and information to designated EZ/EC communities.
- In both 1995 and 1996, Rural Development established Rural Development Teams of AmeriCorps members to work in designated EZ/EC communities to help them implement their community strategic plans. In 1996, 125 members are assisting EZ/EC communities.
- Rural Development now has a site on the World Wide Web for the EZ/EC Initiative that provides communication opportunities and an electronic “community development toolbox” for designated communities.
- Provided assistance in connecting to the Internet to take advantage of the possibility for electronic networking.

Empowering Communities Electronically

USDA has moved aggressively to take maximum advantage of the possibilities the Internet offers to connect widely-separated communities with the informational resources more readily available in big cities.

In July 1995, USDA unveiled an EZ/EC Home Page on the World Wide Web to provide information about the Empowerment Initiative and the communities participating in it, provide networking space for EZ/EC communities, and provide easy access to a wide range of community and economic development resources available via telecommunications. The site is fully interactive and serves as the central “virtual hub” for communities and organizations participating in the Initiative. Since its inauguration, the site has grown to over 500 megabytes of information, more than 100 times larger than the typical Web site. The address is <http://www.ezec.gov>.

To enable low-income EZ/EC communities to participate in using the Internet, USDA provided them with e-mail accounts and software to access the Internet, as well as training in using the software and making effective use of telecommunications for community development.

Communities are also being helped to create their own home pages to market themselves and their products to the world.

Enhanced Program Flexibility

Establishing a process to deal with burdensome Federal regulations will have the largest long-term positive impact on both the communities and the program of perhaps anything the Federal Government has done at the national level. Since the beginning of the EZ/EC program, waivers of burdensome and bureaucratic regulations have been touted as a key ingredient of the Initiative. A plan is in place that simplifies and

institutionalizes the process which the communities will use to streamline and rapidly secure funding and other resources. Securing scarce resources rapidly may be the rural communities' best chance at full implementation of their approved strategic plans.

Champion Communities

Most of the 227 rural communities that applied for designation under the EZ/EC Initiative went through a similar effort to organize themselves, obtain significant citizen involvement, and prepare a comprehensive community strategic plan. Because the application process itself had significant value to the community, it was important to continue what the community had started.

To ensure that the momentum was not lost in those communities that were not selected as an EZ/EC, USDA designated the remaining communities as "Champion Communities." Champions are provided technical assistance and information on a continuing basis, program flexibility, expedited funding under regular programs, and special initiatives in concert with strategic partners, such as the Community Solutions for Rural Health Initiative of the Department of Health and Human Services.

A survey of Champion Communities found that 88 percent continue to work toward implementation of the strategic plans they created, even though they were not designated under the EZ/EC Initiative. A

"Never before had the government set up a program that had to be done in cooperation with the community. This is one of the more hopeful signs from government."

*Southern Mutual Help Association
St. Mary Parish, Louisiana*

number of successes have occurred for Champion Communities, of which the following are examples:

- Arkansas: Newton County, residents created 25 tours that attracted 250 tourists in the spring of 1995.
- Mississippi: Kemper County, expanded the Kemper County Business Incubator through Tennessee Valley Authority funding. The EZ/EC application process greatly facilitated this effort.
- Mississippi: Natchez County, together with local economic development authority and school districts, developed a successful partnership to ensure that students are better prepared to enter the workforce. Twenty industry partners and nine new companies have joined the partnership.
- New Mexico: Lordsburg, located 150 miles east of Tucson and 150 miles west of El Paso, is one of New Mexico's most rural areas. It lacks primary health care. The EZ/EC planning process resulted in the establishment of a primary health care clinic that opened in February 1995. The clinic is open 2 days a week but the

community is recruiting physicians so the clinic can be opened more days and serve more residents in this remote area of New Mexico.

Community Solutions for Rural Health

The Community Solutions for Rural Health (CSRH) is an Empowerment Zone/Enterprise Community (EZ/EC) Initiative that empowers communities to identify, prioritize and develop strategies to improve health care.

The Federal Office of Rural Health Policy of the Department of Health and Human Services (HHS) has committed funds and technical assistance to help Champion Communities foster community-based solutions for rural health care. Partnerships have been built with State Offices of Rural Health, Cooperative Extension Service Offices (1862 and 1890 Institutions), the Department of Agriculture's EZ/EC National Staff, and the State Rural Development (RD) Offices to support this effort.

The CSRH Initiative is working with 17 communities in 17 States. The CSRH program is based on a model similar to the Community Decision-Making (CDM) process, used for more than a decade by the Mountain States Group from Boise, Idaho. The process uses local participation to identify and prioritize local health-care issues. Community residents develop strategies to improve health care services. A Community Encourager has been identified and trained in each Champion Community to oversee the CSRH Initiative.

Illustrations of Progress

Numbers obscure the real value of the Empowerment Initiative to rural communities that have for generations been mired in poverty and stagnation. The true story is best told by the examples of progress communities have achieved in creating and implementing their strategic plans.

Economic Opportunity

The first objective of the Empowerment Initiative is to expand economic opportunities for low-income citizens to assist them in escaping the cycle of poverty. Rural EZ/ECs have adopted a variety of approaches to enhance opportunities for their citizens:

Job Training:

The Watsonville, California, Enterprise Community implemented a job training program; 86 youths applied and 38 have been selected. Participants have a wide range of backgrounds, including high school dropouts. The program combines up to 1,000 hours of on-the-job training with formal classroom training, community outreach, job development, and full-time job placement.

Technical Assistance to Businesses:

The Northeast Delta, Louisiana, Enterprise Community formed a partnership with Northeast Louisiana University (NLU) Small Business Development Corporation to provide management and technical assistance to current and potential small business owners and entrepreneurs. NLU and the Community Development Corporation (CDC) are hosting two workshops dealing with starting a business and finding business opportunities, to be followed by others. NLU will also provide a business development specialist to work with the EC at least 2 days a week and is working with the CDC to establish a business incubator and marketing avenues for entrepreneurs and small businesses.

Small business loans:

The Kentucky Highlands Empowerment Zone operates an Alternative Crop Fund, which made loans to 8 area farmers in 1995.

The loans help area tobacco farmers to supplement their tobacco-crop income by introducing alternative crop and livestock products or new production methods. The objective is to help small farmers transition from tobacco to other crops and increase farm revenues by at least 2 percent. A total of \$300,000 has been dedicated to the fund over the 10-year life of the initiative, to be used in \$30,000 annual installments to make 12 loans of \$2,500 each.

Private Sector Investment:

The Greene/Sumter Counties, Alabama, Enterprise Community has received a commitment from the Alabama Power Company to make available to communities interest-free loans to finance industrial building construction, and matching grants

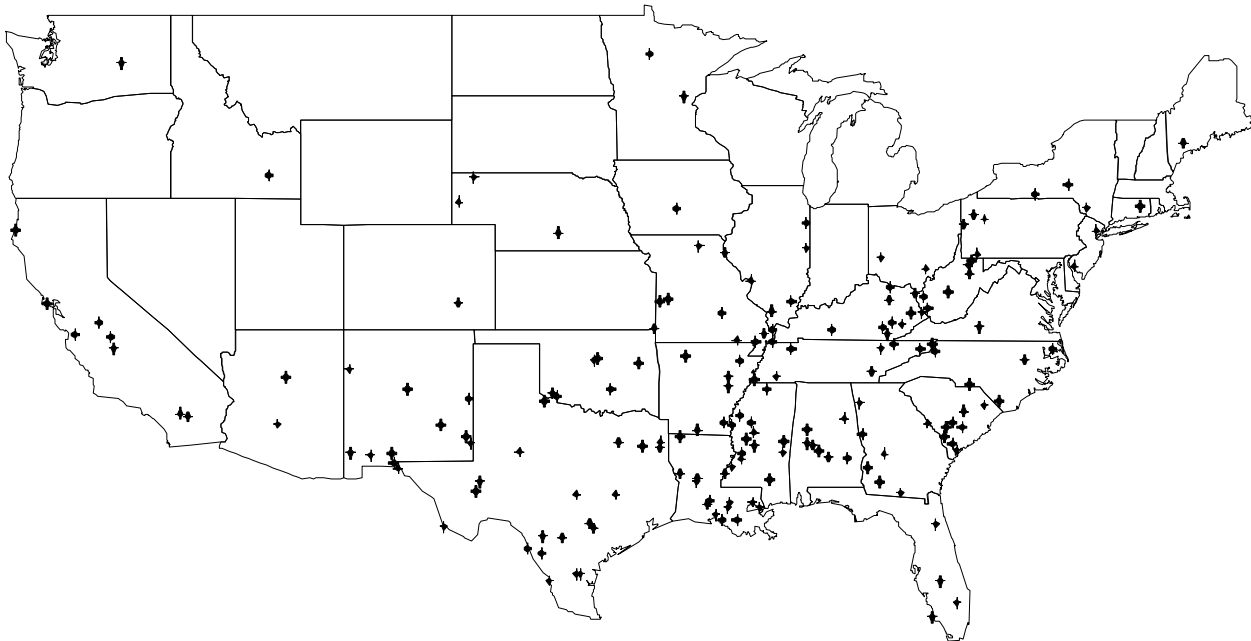
to promote their industrial or commercial parks. Also provided is technical assistance for industrial park development and revitalization of downtown or central business districts, and scholarships for community members to attend university-level programs on economic and community development.

Redevelopment of Brownfield Site:

The Greater Portsmouth, Ohio, Enterprise Community combined \$1 million from USDA's Intermediary Relending Program with \$80,000 Rural Business Enterprise Grant (RBEG), a \$20,000 grant from the Appalachian Regional Commission, and \$40,000 in SSBG funds to provide technical assistance for marketing the Greater Portsmouth EC Brownfield Sites.

Redevelopment of the 140-acre Brownfield Sites is central to accomplishing many of the goals in the community's strategic plan and will replace many jobs lost over the years

CHAMPION COMMUNITIES



(Two Champion Communities in Alaska are not shown)

when area manufacturing facilities closed.

New Business for Disabled or Disadvantaged Workers:

The Kentucky Highlands Empowerment Zone opened a new manufacturing company, Jackson County Rehabilitation Industries, in November 1995. The company produces caps for the Marine Corps, and currently employs 20 disabled and disadvantaged workers. Eventually, the firm will hire up to 100 employees, all of whom are targeted as otherwise unemployable. The firm, which operates in a 3,000-square-foot area of the Gray Hawk Post Office building, was supported by loans from the EZ.

Establish a New Manufacturing Facility:

In the Mid-Delta, Mississippi, Empowerment Zone, a local citizen constructed a 60,000-square-foot speculative building to help attract manufacturing firms to the area. The \$750,000 investment is totally private and was made without assurances. The investment is based on anticipated increases in business activity generated from the EZ.

Sustainable Community Development

Creating jobs and building economic competitiveness are essential to raising local standards of living, but it is equally important that communities be able to sustain those economic gains and make their communities more livable and attractive to future development. Rural EZ/EC communities are adopting a variety of approaches to achieve this objective:

Improve Basic Infrastructure:

The Central Savannah River Authority (Georgia) Enterprise Community received a \$73,200 loan and a \$686,400 grant from

USDA's Rural Utilities Service to construct a centralized sanitary sewer collection and treatment facility in Keysville to bring wastewater treatment services to the community for the first time.

Improve Housing:

The Beadle/Spink (South Dakota) Enterprise Community approved a loan of \$140,000 to construct a four-unit apartment building to help alleviate the area's housing shortage. The units will be rented to low-and moderate-income EC residents.

Address Homelessness:

The Accomack-Northampton (Virginia) Enterprise Community broke ground for the first homeless shelter in Northampton County. The project will provide transitional housing for 15 homeless women and their children. HUD awarded a \$1.5 million grant to the EC for the facility. Other partners included the Virginia Department of Housing and Community Development and the Farmers and Merchants Bank.

Establish Community Centers:

The Jackson County (Florida) Enterprise Community received two Community facilities direct loans totaling \$950,000 from Rural Development to establish an agricultural service center. The center represents one part of the community's strategic plan goal to create a series of service centers offering essential social and health services to community residents. The financial package also includes a grant from the State of Florida and EC funds.

Improve Education:

The City of Lock Haven Pennsylvania Enterprise Community had as one of its goals to enhance the computer skills of its

businesses and citizens. They are meeting this in partnership with the West Branch Technology Center. The center pledged to provide technology training for 100 participants through eight courses offered in the first year. Already, they have far exceeded their benchmark goals, offering 11 courses to 100 participants in the fall of 1995, and have offered 12 more courses during the spring of 1996.

Develop Youth:

The Mississippi County (Arkansas) Enterprise Community initiated a county-wide alternative school for the 1995-96 school year, which has served a minimum of 75 students engaged in chronic truancy or school misbehavior. The school is a cooperative venture of six school districts in Mississippi County that will provide intense, individualized academic remediation, family counseling, and health services so the student can re-enter his/her school of origin. Faculty will be provided from participating schools, counseling will be provided by Arkansas Youth Services and Mental Health Services, and transportation will be provided through contracts with the originating school and the EC.

Improve Health Care:

In the Greater Portsmouth (Ohio) Enterprise Community, the CAO Health Clinic has implemented an extended-hours program as requested in the community's strategic plan. The clinic is able to see an additional 30 to 35 patients per night, of which 63 percent are from the EC. The center is also implementing a teen pregnancy program, and will hire a Registered Nurse to be sent to area schools.

Improve Transportation:

The Eastern Arkansas Enterprise

Community helped develop the Arkansas Transit Partnership. Three eastern Arkansas organizations joined forces to meet the transportation needs of a 20-county area. The EC designation helped secure \$650,000 in funds for the partnership, which will provide transportation to 200,000-plus residents for work, school, and medical and social services. Six new buses will be purchased, and a regional facility will be opened by April 1996 to handle maintenance of these buses as well as 40 other buses that will be working in the area.

Build Local Capacity:

The Eastern Arkansas Enterprise Community is funding and organizing a grant writing workshop open to all residents and community-based organizations in the area. Each of the two Arkansas rural ECs and the Forrest City, Champion Community will participate. Presenters include the Rockefeller Foundation, the Local Initiative Support Corporation (LISC), the Arkansas Health Department, the University of Arkansas-Pine Bluff, and representatives of local community-based organizations. LISC has also offered the use of an extensive collection of grant-writing materials.

Community-Based Partnerships

Private Industry-Public Sector Partnerships:

The Crisp/Dooly (Georgia) Enterprise Community formed an Existing Industry Partnership Council to create industrial expansion and job growth in existing industrial sectors. The council, comprised of representatives from area businesses and local governments, coordinates community transportation, child care, and training projects to make the new jobs accessible to community residents. The council was

directly involved in attracting two new businesses that created 200 new jobs, exceeding the EC's 2 year benchmark goal. Crisp/Dooly also obtained a commitment from the State of Georgia for a Post-Secondary Technical Education Center. The council will work with businesses for curriculum development and post-training placement opportunities.

Community-Foundation Partnerships:

The Central Savannah River Area (CSRA) (Georgia) Enterprise Community, has partnered with the W.K. Kellogg Foundation on a Rural Community Health and Leadership Development Project. The EC's contribution to the project was renovating and operating six local human development centers, and hiring 10 "tract" workers to provide outreach and coordinate services with human development centers. The tract workers engage in "one-on-one" partnerships with residents and existing programs, allowing services to be tailored to suit the specific needs of each community. Programs include after-school tutoring, Boy and Girl Scouts, GED classes, Golden Harvest Food Bank, and an AmeriCorps Food Share Program. The Kellogg Foundation is providing \$518,000 in funds for these and other programs over a 3 year period. Other funded programs include the health, education, and leadership program.

"We proudly fly the 'Enterprise Community Banner' on the front page of our paper (Hugo Daily News). Where once we struggled to get 10 people to a public meeting to discuss our city's future, today we gather 500. In completing this exercise (EC application) as a community, we literally 'empowered ourselves' to do better--to grow and prosper because of our own vision and desire to change."

*Hugo Daily News
Southeast Oklahoma
Enterprise Community*

Inter-Community Cooperation:

Comprised of 30,000 residents over a four-county area, the Rio Grande Valley (Texas) Empowerment Zone strongly feels community partnerships developed in the application process are critical to their social and economic revitalization efforts. Community residents continue to be integral contributors through subzone advisory boards elected by area residents. These advisory boards meet regularly to select priority projects and evaluate the EZ's progress. In addition to the new partnerships forged between local governments, alliances have been established with the Center for Entrepreneurship and Economic Development, Pan American University, the

governor's office, Department of Health and Human Services, the Small Business Administration, and the U.S. Department of Agriculture. Growing collaboration is evident in a Historical Preservation and Redevelopment project that leveraged \$2 million in funding from the Texas Department of Transportation, Texas Community Development Program, Texas Parks and Wildlife, Port Isabel Economic Development Corporation, and the Private Industry Council.

Strategic Vision for Change

Comprehensive Human Development:

The Southeast Oklahoma Enterprise Community acknowledges in its strategic vision that an economic revitalization strategy is about more than creating new job opportunities. It recognizes that improved education, job training, and life skills development need to occur in tandem with economic development and job creation. One of several projects underway that embodies this vision for change is the Booker T. Washington Multi-Purpose Community Center and Alternative School that opened on February 5, 1996. Located in the West Idabel Census Tract, the fully renovated Booker T. Washington Multi-Purpose Community Center now sponsors 30 students and 5 faculty members.

The result of a partnership between the Idabel Public School System, the West Idabel Enterprise Census Tract residents, the Idabel Minority Action Committee, and the U.S. Department of Education, the Center was refurbished by funds committed by the Southeast Oklahoma Enterprise Community. The renovation was articulated in the Strategic Plan to provide mentoring, education, job training, life skills, personal

responsibility, health care, assistance with homework, language skills, reading, writing and math skills enhancement. The West Idabel Census Tract residents are now negotiating with the local hospital to place a full time health-care provider in the multi-purpose center.

Before-and after-school programs are under the auspices of the Safe Haven Program funded at \$160,000 through the U.S. Department of Education. The formal opening and dedication ceremony for the Multi-Purpose School was February 24, 1996.

Race Relations and Ground-Breaking Partnerships:

One of the greatest success stories in the Mid-Delta Empowerment Zone Alliance (MDEZA) is an emerging paradigm shift entailing new partnerships between black and white, public and private, and rich and poor citizens. MDEZA's strategic plan identifies improving race relations as one of the three most important priorities. Historically, blacks and whites did not work effectively together, and the EZ/EC process brought them together into an effective partnership. The process of public meetings and gaining an understanding of each others' needs has created a new vision of enlarging the economic pie rather than fighting over scarce resources. People found they shared essentially the same vision for their community. MDEZA has undertaken measures to expand on the unity and community participation developed during the EZ/EC process. One of these is the "Train the Trainer" program. Addressing the Zone's broad geographic area covering 6 counties and 17 towns, the Train the Trainer program aims to create a community-based network of holding regular meetings and

keeping citizens informed of EZ activities. Program participants are educated on how to conduct community meetings and on the various details of the EZ Initiative and MDEZA activities. The training allows them to go back to their communities and hold local meetings. 35 zone residents have already been trained.

“ . . . the paradigm shift in the Delta is based on process rather than projects. Certainly, the new investment taking place is vital but more importantly we have discovered that, difficult as it may sometimes be, the process is what drives development.”

MDEZA's Strategic Plan

facility, a non-profit family learning center, the Mississippi County Health Department, the Southeast Missouri Health Network, the Community and Migrant Health Center, the City of East Prairie, and the Missouri Delta Medical Center. The 25 member board has been effective in addressing problems at the local level through collaboration and community action. So far, an additional physician has been recruited to the clinic, a preventative and environmental health satellite facility has been established by the County Health Department, and a school health education task force has been formed.

Adequate Health Care Essential to Economic Revitalization:

Part of the East Prairie (Missouri) Enterprise Community's vision is the realization that improving its local infrastructure and human capital is a necessary precursor to meaningful economic revitalization. One of the first components targeted in this comprehensive development strategy is a lack of adequate health care.

In the East Prairie EC, 80 percent of the residents lack sufficient medical care. Recognizing that insufficient medical services made it an unattractive business location, area residents and local service providers created a private-public sector partnership corporation, the East Prairie Health Consortium. Partners include a private clinic and a private mental health

Assuring Accountability

An initiative such as the Empowerment Initiatives, which supports community-developed responses to local problems, has a responsibility to balance the unprecedented flexibility it offers with public accountability for expenditures.

To assure that the public trust is maintained, the initiative employs a series of elements:

- Communities were required to develop a biennial plan of work and that included goals, benchmarks, major activity milestones, and performance indicators by which their progress can be judged (see sidebar).
- Communities provided assurances concerning conflict of interest; Rural Development field staff monitor community activities to determine that such conflicts do not subsequently occur.
- Communities provide semi-annual reports on their progress in completing plans and achieving benchmark goals.
- The Social Services Block Grants (SSBG), an integral part of the EZ/EC program, are overseen by HHS and the state agencies that administer the SSBG funds.
- USDA and HHS are cooperating with appropriate state agencies to apply the provisions of the Single Audit Act to account for expenditures.

- Individual project assistance under Rural Development's regular community and economic development assistance programs is administered in accordance with existing financial accountability procedures.

Benchmarking to Assure Performance

The bottom-up orientation of the EZ/EC Initiative allowed communities to create strategic plans unique to each. To achieve the goals they set for themselves, each community defined its own tasks and timetables. These activities, outlined in benchmarks developed by each community, assure adherence to the plans and measure progress in reaching goals.

Performance-based benchmarks are a dramatically new method for measuring success. Traditionally, Federal programs are measured by the amount of money spent. Under this Initiative, EZ/EC-specific benchmarks measure the results of activities against baselines (e.g., number of jobs) established for each benchmark goal (e.g., increasing the number of jobs by a given percent within two years). Because the strategic plans are comprehensive in scope, plans often identify multiple activities (i.e., business financing, job training, etc.) to achieve a common benchmark goal.

These benchmarks provide a blueprint for an entrepreneurial, no-nonsense way to fund projects and measure success. They also form the basis of the continuing partnership between the Federal government and the EZ/EC communities by identifying priority projects that may need additional resources, regulatory relief, or technical assistance.

USDA's Rural Development Response

We are all in agreement that accountability and maintenance of the public trust are of the highest priority; it should not be translated into a short-term response to a long-term problem.

The public's perception of the Federal response to their needs is at an all-time low, placing tremendous pressures on Federal programs, services, and agencies to produce immediate results. Often, these external pressures lead to a focus on short-term outputs such as the number of projects funded, jobs created, or the number of housing units completed.

Federal rural development programs have existed for years; yet poverty, high unemployment, and health and safety problems still exist in great numbers in rural America. The challenge is to help rural communities build "community capacity" to establish economic viability that is sustainable over the long term without continued involvement by the Federal Government. Community capacity cannot be achieved in 1 or 2 years. It requires a long-term approach to solving problems that have been unresolved for decades.

USDA's response to creating sustainable community development is more than the Empowerment Initiative. Other leading elements of USDA's rural development policy response are described in this section.

In many rural communities, development efforts are hampered by a lack of critical leadership resources, limited access to information, barriers to obtaining technical knowledge and a lack of understanding of how to mobilize these resources. The ability to assemble and use community strengths to access resources and address community problems is called **capacity**.

The degree of success can be measured by rating a community's long-term ability to provide economic, social, and cultural opportunities for its citizens. A community's **capacity** is defined both by its available resources (human, natural, economic, civic, social, external programs) and its ability to mobilize those resources to improve the conditions in the community in a sustained manner.

USDA's redirection of its rural policies consists of several elements. These include:

- reinventing government processes
- promoting regional solutions
- forming partnerships
- empowering rural people

Reinventing Government

As the needs of rural communities--and the rest of the Nation--change, government must also change. USDA as a department and its Rural Development mission area are working to reinvent Government so that it works better and costs less. This effort is committed to creating a more effective, efficient, and responsive Government of the people.

- USDA's reorganization will achieve a savings of \$4.1 billion by 1999. The reorganization reduces staff by 13,000 and cuts the number of agencies from 43 to 29.
 - Under the reorganization, more than 1,000 USDA field offices will close. The field offices will be restructured into one-stop USDA service centers to provide more efficient service and make them easier for rural Americans to use.
 - The Administration has proposed the Rural Partnership Performance Initiative (RPPI) to consolidate 14 rural development programs into three flexible funding streams administered through Rural Development. RPPI encourages flexibility by allowing needs to be identified at the local level and would save \$130 million over 5 years. It would empower State employees to work with States, localities, and other organizations to jointly determine needs and set priorities, while consolidating overlapping programs and saving money.
 - Rural Development is implementing reinvention efforts to improve the program efficiency by centralizing the single family housing loan servicing system and improving the food stamp program.
- responses that coordinate the efforts of the whole span of public and private sectors.
- The Administration's Pacific Northwest Initiative helps timber-stricken areas in northern California, Oregon, and Washington respond to economic transition. This initiative brings together Federal and State agencies, communities, and private industries to break down government barriers and revitalize the economy.
 - In 1994, President Clinton signed legislation creating the Northern Great Plains Rural Development Commission, comprised of Iowa, Minnesota, Nebraska, North Dakota and South Dakota, to develop a long-term rural development agenda to meet the problems of outmigration within the region.
 - USDA is working with multi-county areas in North Dakota that include several Native American reservations and make up two Rural Economic Area Partnerships. The objective is to empower communities through better coordination and fuller use of public and private resources to address long-term problems of outmigration.
 - Other areas, like the Mississippi Delta and the unincorporated settlements along the Mexican border, require long term investment to alleviate endemic poverty. The Administration has targeted Federal investments to communities like these in dire need in conjunction with community planning efforts to overcome long term poverty in these regions.

Promoting Regional Solutions

The challenges facing rural America are not identical in all parts of the Nation. Nor are they limited by State boundaries. A one-size-fits-all approach is no longer acceptable. Many rural problems require regional

Forming Partnerships

One of the most efficient ways to invest in rural America is to create partnerships between public, non-profit, and private entities. As Federal resources decline, these partnerships have become effective ways to stretch scarce resources in rural America.

- Homeownership 2000 is a partnership between public and private entities, including USDA and the Department of Housing and Urban Development (HUD). It is designed to expand homeownership by 8 million new families. The goal of this partnership is to cut the cost of homes and open housing markets to new areas and people.
- The National Rural Development Partnership (NRDP), with leadership from Rural Development, is an alliance of Federal agencies with states, local governments, and non-governmental organizations through a national network of State Rural Development Councils (SRDC), which has enhanced intergovernmental and public-private collaboration for rural development.
- USDA's Water 2000 Initiative targets the programs of the Rural Utilities Service to those rural communities that currently lack access to safe drinking water. The goal of the initiative is to provide safe, affordable hot and cold running water in every rural household by the year 2000.

- USDA's programs can create a powerful incentive for State and local governments and the private sector to invest in rural America. For example, in fiscal year 1994, with a subsidy level of \$12 million, USDA's Rural Utilities Service generated a \$528 million loan level--leveraging an additional \$2.27 billion of private investment for telecommunications infrastructure, like the Information Superhighway.

Empowering Rural People

All too often, past policies have put communities in the position of responding to the rigid requirements of Federal programs and Washington-based planning.

Empowerment provides a bottom-up approach so that communities and local people determine their own needs and future under more flexible program requirements. One of the goals of empowering people is to ensure that Federal investments are targeted to people and communities with the most need.

- In North Dakota, USDA has worked with two multi-county areas and several Native American reservations to form rural economic area partnerships. The intent of this initiative is to empower communities to develop strategic plans for solving the problem of long-term outmigration. This will serve as a model for other economically challenged communities.
- In 1996, Rural Development has 125 AmeriCorps members working in EZ/EC or Champion Communities to help them

determine their needs and create new opportunities, while developing future leaders.

- The Administration's Empowerment Zones and Enterprise Communities (EZ/EC) Initiative is creating jobs and helping low-income communities achieve their visions for social and economic revitalization through planning and investment. The initiative offers Federal grants, technical assistance, and funding priority, as well as tax-exempt bond financing authority, to three rural Empowerment Zones and 30 rural Enterprise Communities.
- Responding to the success of the EZ/EC Initiative, President Clinton has announced plans to seek Congressional support for a second round of Empowerment Zones and Enterprise Communities. If adopted, Round 2 would add 5 EZs and 30 ECs in rural areas.

Conclusion

National investments to ensure rising prosperity for rural America are an essential element of national policy. But while Federal investments in rural America are needed, ultimately, rural communities themselves have the responsibility to shape their own destinies. Wise Federal investment does not attempt to subsidize rural communities, but points them toward the future by creating new economic opportunities and empowering people.

Taken together, the initiatives described in this report represent a series of strategic actions that respond to a diverse set of rural needs. By acting strategically, we can assure a more productive Nation that is able to address its needs with greater equity. The result will be to limit the negative effects of change on this important part of our Nation, and to reduce the cost of dependency to non-rural areas, while still preserving an important way of life.

The Federal Government has key roles to play in implementing these strategies. These roles include pooling financial resources, providing special technical assistance to ease economic transition and build sustainable communities, and sharing information about successful practices developed in one part of our vast Federal laboratory with other areas of the Nation.

The benefits of the rural Empowerment Zones and Enterprise Communities Initiative will be felt far beyond the 33 EZ/EC communities or the more than 180 Champion Communities. The initiative is a beacon of light for a new way of doing the Government's business. The examples of progress developed under the initiative and the changed methods employed by the Federal Government in working with rural communities will affect rural development policy and Federal-local relations on a national scale. The result will be a system of Government that puts real power into the hands of rural citizens in a way that equips them to make effective and intelligent use of that power.

Bottom Line

- The successes of EZ/EC and Champion Communities will become “successful practice” models for all rural communities nationwide.
- The initiative is building effective relationships between public and non-profit organizations and the for-profit sector.
- The initiative is a proving ground for developing effective inter-agency relationships that will open a new era of cooperation for rural development.
- The initiative is introducing Rural Development field staff to a community-centered method of doing business that will ultimately engage the full potential of USDA’s Rural Development human resources in providing technical assistance to rural communities.
- The flexibility of the initiative will identify ways Government agencies can reform their programs and procedures to be more customer-friendly and remove barriers to communities.